MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BSB 3314 – SEMINAR IN BANKING

(All Sections / Groups)

27 May 2019
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 4 pages (including front page) with **FOUR (4)** Questions only.

2. Answer **ALL** questions.

3. Write your answers in the Answer Booklet provided.

Question 1 (25 marks)

a) Calculating duration on a RM1,000 ten year 10% Coupon Bond when it interest rate is 10%. If interest rate increased from 10% to 15%, compute the change of bond value. **(16 marks)**

b) Regulators use the CAMELS system to analyze bank risk. What does CAMELS stand for and what financial ratios might best capture each factor? **(9 marks)**

Question 2 (25 marks)

a) Venture capitalists look for businesses that have the potential to grow quickly to a significant size, yielding a significant return on the VC's investment in a relatively short period of time. VCs are not just interested in start-ups. Your company's current size is less important than its future aspirations and growth potential. A target company for a VC is one that may be capable of becoming a large market leader in its industry due to some new industry opportunity and competitive advantage. There's no single determinant for a successful portfolio company. Critically describe the successful factors. **(8 marks)**

b) It is essential to know the preferences of the Venture Capital you are approaching, and clearly articulate what type of funding you are seeking. Discuss FIVE (5) types of funding and its exit plan. **(12 marks)**

c) You are going to invest in a start-up project which projected are earning of 5 million and will proceed for initial public offering (IPO) with price to earning ratio (P/E) 30 times in year 5. Your initial investment is 5 million and your required rate of return is 50%. What is your portion percentage of the company you will own? Demonstrate with a diagram. **(5 marks)**

Continued...

Question 3 (25 marks)

a) The directors of Bank Rakyat are very anxious on the level of their bank competitiveness as newer banks surge in the market and change in bank legislations that allows financial institutions to offer variety of banking products. As a manager you are required to evaluate the performance and the prospect of Bank Rakyat based on the following ratios:

Bank Rakyat	
Balance Sheet	
Assets	
Cash and due from banks	RM 175
Investments	RM 400
Federal Funds	RM 18
Loan	RM 402
Premises	RM 105
Average Total Assets	RM1,100
Liabilities and Equity	
Demand Deposits	RM 150
Time Deposits	RM 325
Federal funds	RM 425
Equity	RM 200
Average Total Liabilities and Equity	RM 1,100
Income Statement	
Interest Income	RM 250
Interest Expense	RM 210
Non Interest Income	RM 11
Non Interest Expense	RM 38
Net Income	RM 13

i) Return on Equity **(3 marks)**
ii) Net Interest Margin **(4 marks)**
iii) Earnings Base **(4 marks)**
iv) Burden **(4 marks)**
v) Efficiency Ratio **(4 marks)**

b) Explain the meaning of the following terms:
i) Capital **(3 marks)**
ii) Collateral **(3 marks)**

Continued...

Question 4 (25 marks)

a) You are currently assessing some of the bank loan requests of the credit department of your bank. Discuss how the following situations define the character of the borrower and quality of information provided?

i) There is a growing trend of customer complaints to the National Consumer Complaints Centre. **(4 marks)**

ii) There is several members of the family work for the business. **(4 marks)**

iii) The use of significant off balance sheet entities and intercompany transactions. **(4 marks)**

b) The drastic increase in the number of defaults on subprime mortgages beginning in 2006 led to a subprime mortgage crisis in United State. This is due to the complex repackaging of subprime mortgages into complex investments which has contributed to the financial meltdown in 2008.

i) Describe the characteristics of the borrower in a subprime consumer loan. **(7 marks)**

ii) Subprime loans have higher loss rates than many other types of loans. Justify **(6 marks)**

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